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UNCLAS ALMATY 004047

SIPDIS

DEPT PASS TO EUR/CACEN MUDGE
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

E.O. 12958: N/A

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SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE

October 30 - November 12, 2005

[11](#). Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

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Forecast Inflation Rate 2005 Not to Be Reconsidered

[12](#). Chairman of the National Bank (NBK) Anvar Saidenov admits the possibility of a slight rise in inflation over the projected figures, but says that the NBK has no plans to review the official inflation forecast. Inflation from January to October 2005 reached 6%, the annual inflation from October 2004 to October 2005 reached 7.9%. "Even on the stipulation that the current price trend will be kept, and the annual inflation will be beyond forecasted 7% by the end of 2005, the inflation process would be controllable," Saidenov concluded. (Interfax - Kazakhstan, November 3)

Halyk Bank to Finance Projects in Russia

[13](#). Halyk Bank of Kazakhstan is considering financing programs valued at \$20 million in Chelyabinsk and Yekaterinburg, Chairman of the Board Grigoriy Marchenko said. He did not give any specific information on the projects at this stage, pending a final decision by the bank. According to him, "the Kazakhstani banks have competitive advantages over the Russian banks in terms of crediting and marketing expertise." Pursuing its development strategy, Halyk Bank plans to expand its business into the Xinjiang Uygur Autonomous Region of China and other Central Asian countries. (Interfax - Kazakhstan, November 2)

Amendments to Tax Legislation

[14](#). According to the press service of the Parliament, the Senate (upper house) approved amendments to a number of taxation regulations. The amendments anticipate preferential taxation for investors who develop small and medium-size oil fields; include textile and sewing industries to the list of activities subject to preferential taxation within special economic zones; and cut down the tax rates for individual entrepreneurs from 7% to 5%, and for legal entities from 4% to 3%. A new law contains some other measures to soften the tax regime for small businesses. (Interfax - Kazakhstan, November 4)

TRACECA Members to Expand Shipment through Aktau

[15](#). Representatives from Kazakhstan, Azerbaijan and Georgia met at the Aktau seaport on October 28 and signed a protocol on expanding cargo shipment within the TRACECA transport corridor linking Europe and Asia. According to the press service of the Aktau port, the parties reached an accord to reduce the tariffs for rail transportation and port services and discussed an issue of launching a pilot container train on the route Poti-Baku-Aktau-Almaty. (Interfax - Kazakhstan, November 2)

Economic Statistics

16. In words of President Nazarbayev, the growth rate of investments in Kazakhstan's manufacturing sector is two times higher than in the primary (petroleum) sector. "This year, for the first time, investments in manufacturing industry grew by 78% and crude (oil) investments grew by 43%," the President said at the presentation of the first stage of the country's industrial-innovative development strategy. (Interfax - Kazakhstan, November 2)

17. The National Bank of Kazakhstan reported that the nominal devaluation of national currency (tenge) versus the U.S. dollar in January-October 2005 stood at 3.24%. In October 2005 the tenge revealed a trend of slowing down against U.S. dollar. As a result, the tenge fell 0.28% over the reviewed period, and at the end of October the tenge exchange rate stood at 134.21 tenge to the dollar. (Press Service of the National Bank of Kazakhstan, November 2)

18. Total loans made by Kazakhstani banks to the economy totaled KZT 2,118.5 billion (approximately \$15.8 billion) as of October 1, compared to KZT 1,484.3 billion (about \$11.1 billion) as of January 1, 2005. Loans denominated in domestic currency grew by 4% to KZT 1,079.5 billion (\$8.1 billion); those in foreign currency - 4% up - to KZT 1,039 billion (\$7.7 billion). The average interest rate on national currency loans to companies fell to 13.7% from 14% in September; however, the interest rate on loans to individuals grew from 19.3% to 19.4%. (Press Service of the National Bank of Kazakhstan, November 2)

Kazakhstan to Become Leading Oil, Gas Exporter by 2012

19. Kazakhstan plans to become one of the top ten hydrocarbon exporters in the world by 2012, Kazakhstan's President Nazarbayev said on November 1. Earlier, the GOK had set a goal to rank among fifty most developed countries in the world over the coming years. According to the President, "the oil and gas sector and the entire extraction industry will become the main engine to achieve this aim." (Interfax - Kazakhstan, November 7)

MEMR, KMG Cooperate in Overcoming Gasoline Crisis

10. On November 4, Kazakhstan's Ministry of Energy, three domestic refineries, the main oil suppliers, and oblast administrations signed a memorandum on stabilization of gasoline prices in the country. The action was taken in response to a "gasoline crisis" - in the end of September gasoline prices increased drastically in Kazakhstan, especially in the Southern Kazakhstan Oblast. The document expires on January 1, 2006, simultaneously with the ban on fuel exports. (Rakhmat TV - Kazakhstan, November 5)

11. In compliance with the memorandum, Trade House KazMunayGaz (TD KMG, subsidiary of national oil and gas company KazMunayGaz) announced the lowering of gasoline prices at its gas stations to August 2005 levels. TD KMG plans to shift its focus from wholesale to retail fuel sales. The company plans to expand its own network of gas stations from 55 (current) to 500, TD KMG's Deputy Director General stated on November 5. According to the official, TD KMG is establishing "strategic alliance and partnership with large retail sales networks around the country to sell KMG gasoline at KMG prices and eliminate profiteering." (Interfax - Kazakhstan, November 7)

Kazakhstan to Pay for PKZ Stake out of Future Profits

12. On November 4, Energy Minister Shkolnik declared that "if the transaction between PetroKazakhstan (PKZ) and CNPC is closed [formalized as required: we have court actions and many claims to PKZ], then Kazakhstan will pay for its stake in PKZ inclusive of out of the company's future profit." The Minister reiterated that, under the memorandum signed by KazMunayGaz (KMG) and CNPC, KMG would acquire 33% of PKZ, and the companies would set up a 50/50 joint venture to operate the Shymkent refinery. The parties also are holding

negotiations on the acquisition of 67.5% of KazGerMunay by KMG, Shkolnik said. KazGerMunay develops oil fields in Kyzylorda Oblast. Shareholders are: PetroKazakhstan Kumkol Resources (50%), RWE Dea AG (Germany) (25%), EEG-Erdgas Erdoel GmbH (Germany) (17.5%), IFC (USA) (7.5%) (Interfax - Kazakhstan, November 7)

Third Kazakhstani Tanker Arrives

13. At the end of October, the third 12,000 ton tanker "Kazakhstan" arrived at the Aktau international seaport. It was built at the Vyborg ship building plant (Russia) at the

request of Mobilex Energy, a subsidiary of European Mobilex, for \$17 million. The tanker has a more powerful engine, and is more explosion-resistant, than the two tankers that were previously built for the state merchant marine company KazMorTransFlot. The tanker will transport oil to Azerbaijan and Iran. The second tanker "Abay" for Mobilex Energy will be built by the end of 2005. (Kazakhstan Today, October 25)

Gold Company Kazakhaltyn Plans IPO in London

14. KazakhGold Group Limited, the indirect parent company of Kazakhaltyn Mining-Metallurgical Concern, one of the leading gold producers in Kazakhstan, plans to announce the initial public offering (IPO) of 25% of its shares on the London stock in exchange for \$100 million. The IPO may raise the capitalization of the company up to 500 million (\$888 million). The lead manager of the offering is ING Bank. Troyka-Dialogue (Moscow) will act as another IPO manager, while Clifford Chance (Great Britain) and Denton Wilde Sapte (Great Britain-Kazakhstan) were named legal advisors for the flotation. Kazakhaltyn develops gold deposits in Akmola Oblast. 100% of its shares belong to Romanshorn LC AG (USA). (Interfax - Kazakhstan, November 3)

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